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Accounting in Computerised Environment

Question 1

What are the advantages and disadvantages of ERP package?

(4 Marks, May, 2007 and November, 2009,PCC)

Answer

Larger organisations often go for an ERP package where finance comes as a module. An ERP is an integrated software package that manages the business process across the entire enterprise.

Advantages of using an ERP

The advantages of using an ERP for maintaining accounts are as follows:

1. *Standardised processes and procedures* : An ERP is a generalised package which covers most of the common functionalities of any specific module.
2. *Standardised reporting* : Majority of the desired reports are available in an ERP package. These reports are standardised across industry and are generally acceptable to the users.
3. *Duplication of data entry* is avoided as it is an integrated package.
4. *Greater information* is available through the package.

Disadvantages of an ERP

The disadvantages of an ERP are the following:

1. *Lesser flexibility* : The user may have to modify their business procedure at times to be able to effectively use the ERP.
2. *Implementation hurdles* : Many of the consultants doing the implementation of the ERP may not be able to fully appreciate the business procedure to be able to do a good implementation of an ERP.

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3. *Very expensive* : ERP are normally priced at an amount which is often beyond the reach of small and medium sized organisation. However, there are some ERP coming into the market which are moderately priced and may be useful to the small businesses.
4. *Complexity of the software* : Generally an ERP package has large number of options to choose from. Further the parameter settings and configuration makes it a little complex for the common users.

Question 2

What are the advantages of outsourcing the accounting functions?

(4 Marks, November, 2007, PCC)

Answer

Following are the advantages of outsourcing the accounting functions:

(i) The organisation that outsources its accounting function is able to save time to concentrate on the core area of business activity.

(ii) The organisation is able to utilise the expertise of the third party in undertaking the accounting work.

(iii) Storage and maintenance of the data is in the hand of professional people.

(iv) The organisation is not bothered about people leaving the organisation in key accounting positions.

(v) The proposition is proving to be economically more sensible.

Question 3

Explain the factors to be considered before selecting the pre-packaged accounting software.

(4 Marks, May, 2008, PCC)

Answer

There are many accounting softwares available in the market. To choose the accounting software appropriate to the need of the organization is a difficult task, some of the criteria for selection could be the following:

1. **Fulfillment of business requirements:** Some packages have few functionalities more than the others. The purchaser may try to match his requirement with the available solutions.
2. **Completeness of reports:** Some packages might provide extra reports or the reports match the requirements more than the others.
3. **Ease of Use:** Some packages could be very detailed and cumbersome compare to the others.

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4. **Cost:** The budgetary constraints could be an important deciding factor. A package having more features cannot be opted because of the prohibitive costs.
5. **Reputation of vendor:** Vendor support is essential for any software. A stable vendor with good reputation and track records will always be preferred.
6. **Regular updates:** Law is changing frequently. A vendor who is prepared to give updates will be preferred to a vendor unwilling to give updates.

Question 4

What are the advantages of customised accounting packages?

(4 Marks, November, 2008, PCC and IPCC November, 2014)

Answer

Following are the advantages of the customised accounting packages:

1. The functional areas that would otherwise have not been covered gets computerised.
2. The input screens can be tailor made to match the input documents for ease of data entry.
3. The reports can be as per the specification of the organisation. Many additional MIS reports can be included in the list of reports.
4. Bar-code scanners can be used as input devices suitable for the specific needs of an individual organisation.
5. The system can suitably match with the organisational structure of the company.

Question 5

Mention, four advantages and four disadvantages of pre-packaged accounting software.

(4 Marks, June, 2009, PCC)

Answer

Advantages of Pre-packaged Accounting Software

1. Easy to install
2. Relatively inexpensive
3. Easy to use
4. Back-up procedure is simple.
5. Certain flexibility of report formats provided by some of the software
6. Very effective for small and medium size businesses.

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Disadvantages of Pre-packaged Accounting Software

1. Does not cover peculiarities of specific business
2. Does not cover all functional area
3. Customization may not be possible in most such software
4. Reports generated are not sufficient or serve the purpose
5. Lack of security
6. Bugs in the software

Question 6

Market is full of ready-made accounting softwares. What factors will you consider to choose one of them for your enterprise? (4 Marks, November, 2011, IPCC)

Answer

While choosing the accounting software, the following points should be considered:

1. *Fulfilment of business requirements*: Some packages have few functionalities more than the others. The purchaser may try to match his requirement with the available solutions.
2. *Completeness of reports*: Some packages might provide extra reports or the reports match the requirement more than the others.
3. *Ease of use*: Some packages could be very detailed and cumbersome compare to the others.
4. *Cost*: The budgetary constraints could be an important deciding factor. A package having more features cannot be opted because of the prohibitive costs.
5. *Reputation of the vendor*: Vendor support is essential for any software. A stable vendor with reputation and good track records will always be preferred.
6. *Regular updates*: Law is changing frequently. A vendor who is prepared to give updates will be preferred to a vendor unwilling to give updates.

Question 7

What do you mean by Customised Accounting Software?

(4 Marks, November, 2009)

Answer

A customised accounting software is one where the software is developed on the basis of requirement specifications provided by the organisation. The choice of customised accounting software could be because of the typical nature of the business or else the functionality desired to be computerised is not available in any of the pre-packaged accounting software.

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An organisation desiring to have an integrated software package covering most of the functional area may have the financial module as part of the entire customised system.

Question 8

What are the advantages of pre-packaged accounting software? (4 Marks, May, 2010, IPCC)

Answer

Advantages of Pre-Packaged Accounting Software:

1. ***Easy to install:*** The CD or floppy disk is to be inserted and the setup file should be run to complete the installation. Certain old DOS based accounting softwares require some settings to be added in the system configuration file and the system batch file. These instructions are generally provided in the user manuals.
2. ***Relatively inexpensive:*** These packages are sold at very cheap prices nowadays.
3. ***Easy to use:*** Mostly menu driven with help options. Further the user manual provides most of the solutions to problems that the user may face while using the software.
4. ***Backup procedure is simple:*** Housekeeping section provides a menu for backup. The backup can be taken on floppy disk or CD or hard disk.
4. ***Flexibility:*** There is certain flexibility in formatting of report as provided by some of the softwares. This allows the user to make the invoice, challan, GRNs look the way they want.
6. ***Very effective for small and medium size businesses:*** Most of their functional areas are covered by these standardised packages.

Question 9

A large size multi department's hospital decided to outsource the accounting functions. Hospital invited proposals from vendors through open tender and received three proposals. How will you select the vendor? (4 Marks, November, 2010, IPCC)

Answer

The proposals will be evaluated and vendor will be selected considering the following criteria:

1. Quantum of services provided and whether the same matches with the requirements of the hospital.
2. Reputation and background of the vendor.
3. Comparative costs of the various propositions.
4. Organizational set up of the vendor particularly technical staffing to obtain services without inordinate delay.
5. Assurance of quality, confidentiality and secrecy.
6. Data storage and processing facilities.

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Question 10

"In business today, the accounts which were earlier maintained in a manual form, are replaced with computerized accounts". Explain the significance of computerized accounting system in modern time. *(4 Marks, May, 2011, IPCC)*

Answer

In modern time, computerized accounting systems are used in various areas. The significance of the computerized accounting system is as follows:

(1) Increase speed, accuracy and security - In computerized accounting system, the speed with which accounts can be maintained is several fold higher. Besides speed, level of accuracy is also high in computerized accounting system.

(2) Reduce errors - In computerized accounting, the possibilities of errors are also very less unless some mistake is made while recording the data.

(3) Immediate information - In this system, with an entry of a transaction, corresponding ledger posting is done automatically. Hence, trial balance will also be automatically tallied and the user will get the information immediately.

(4) Avoid duplication of work - Computerized accounting systems also remove the duplication of the work.

Question 11

"ERP package is gaining popularity in big organizations." Briefly explain the advantages of using an ERP package, in the light of above statement. *(4 Marks, May 2012, IPCC)*

Answer

The advantages of using an ERP for maintaining accounts are as follows:

1. ***Standardised processes and procedures*** : An ERP is a generalised package which covers most of the common functionalities of any specific module.
2. ***Standardised reporting*** : Majority of the desired reports are available in an ERP package. These reports are standardised across industry and are generally acceptable to the users.
3. ***No Redundancy*** **:** Duplication of data entry is avoided as it is an integrated package.
4. ***Better Information*** : *Greater information* is available through this package.

Question 12

Write any four disadvantages of Pre-packaged Accounting Software.

(4 Marks, November 2012, IPCC)

Answer

Disadvantage of Pre-packaged Accounting Software:

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1. **Lesser Flexibility:** Business today is becoming more and more complex. A standard package may not be able to take care of these complexities i.e. it does not cover peculiarities of specific business. Therefore, customization may not be possible in such softwares.
2. **Covers only few functional areas and only main reports are covered***:* Many pre-packaged accounting softwares do not cover all functional areas. For example, production process may not be covered by most pre-packaged accounting softwares. The demands for modern day business may make the management desire for several other reports for exercising management control. These reports may not be available in a standard package.
3. **Lack of security:** Any person can view data of all companies with common access password. Levels of access control as we find in many customised accounting software packages are generally missing in a pre-packaged accounting package.
4. **Bugs in the software:** Certain bugs may remain in the software which takes long to be rectified by the vendor and is common in the initial years of the software.

Question *13*

What is an Enterprise Resource Planning (ERP) software? What are the factors which you will take into consideration while choosing an ERP software? (4 Marks, May 2013, IPCC)

Answer

An Enterprise Resource Planning (ERP) is an integrated software package that manages the business process across the entire enterprise by integrating informations created by different functional groups of the organisation.

Choice of ERP software depends upon the following factors:

1. ***Functional requirement of the organisation*:** The ERP that matches most of the requirements of an organisation is preferred over the others.
2. ***Reports available in the ERP*:** The organisation visualises the reporting requirements and chooses a vendor which fulfils its reporting requirements.
3. ***Background of the vendors*:** The service and deliverable record of a vendor is extremely important in choosing the vendor.
4. ***Cost comparisons*:** The budget constraints and fund position of an enterprise often becomes the deciding factor for choosing a particular package.

Question 14

Explain the reasons due to which the manual accounting system was replaced by the computerized accounting system in modem time. (4 Marks, November 2013, IPCC*)*

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Answer

In modern time, computerized accounting system has replaced the manual accounting system due to the following reasons:

(1) Speed, accuracy and security - In computerized accounting system, the speed with which accounts can be maintained is several folds higher. Besides speed, level of accuracy is also high in computerized accounting system.

(2) Reduced errors - In computerized accounting, the possibilities of errors are also very less unless some mistake is made while recording the data.

(3) Immediate information - In this system, with an entry of a transaction, corresponding ledger posting is done automatically. Hence, trial balance will also be automatically tallied and the user will get the information immediately.

(4) Avoidance of duplication of work - Computerized accounting systems also remove the chances for duplication of the work.

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